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## Repaying Your Student Loan



### What you need to know as a borrower

**I**f you're a federal student loan recipient, there are two key points to remember. First, the interest you pay is lower than commercial rates because the federal government subsidizes the rate. Second, if you are a student borrower, you don't have to begin to repay your Perkins or Stafford Loans until you leave school or drop below half-time.\*

As generous as these terms are, you shouldn't forget that you do have to repay your loan. Failure to do so could result in your loan(s) being declared delinquent or in default.\* This could have a negative impact on your financial status and creditworthiness in the future. This section outlines repayment requirements and describes the rare circumstances under which your obligation to repay can be reduced or forgiven.

## Borrower's Responsibilities

When you obtain a federal student loan you have certain responsibilities. Here are some important ones:

### Think about how much you're borrowing

- Think about what your repayment obligation means before you take out a student loan.
- If you don't repay your student loan on time or according to the terms in your promissory note,\* you could default\* on this legal obligation, which has serious consequences and will adversely affect your credit rating.

### Signing a promissory note means you agree to repay the loan

- When you sign a promissory note,\* you're agreeing to repay the loan according to the terms of the note.
- The note states that except in cases of loan discharge (cancellation), you must repay the loan, even if you don't complete your education (in some cases, you may not have to repay a loan if you were unable to complete your education because the school closed).
- Also, you **must** repay your loan even if you can't get a job after you complete the program or you didn't like the education you paid for.

The U.S. Department of Education does not guarantee the quality of education you receive or that you will find a job in your field of study.

### Make payments regardless of receiving billing notices

- You must make payments on your loan even if you don't receive a bill or repayment notice.
- Billing statements (or coupon books) are sent to you as a convenience. You're obligated to make payments even if you don't receive any reminders.
- You must also make monthly payments in the full amount required by your repayment plan. Partial payments do **not** fulfill your obligation to repay your student loan on time.

### Continue to pay while waiting for deferment or forbearance approval

- If you apply for a deferment or forbearance, you must continue to make payments until you have been notified that your request has been approved.
- If you don't, you might end up in default.\*
- Keep a copy of any request form you submit, and document all contact you have with the holder of your loan.

### Notify your lender or loan servicing agency when you ...

- Graduate;
- Withdraw from school;
- Drop below half-time\* status;
- Change your name, address or Social Security number<sup>†</sup>; or
- Transfer to another school.

<sup>†</sup>Note: New Social Security numbers are issued only in very rare circumstances. See [www.ssa.gov/ssnumber/](http://www.ssa.gov/ssnumber/) for rules on changing them.

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Remember to keep in touch with your lender or loan servicing agency.

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### Receive entrance and exit counseling

- For Direct or FFEL Stafford Loans, you must complete an **entrance counseling** session before you're given your first loan disbursement, unless you've previously borrowed a Stafford Loan. This session provides you with useful tips and tools to help you develop a budget for managing your educational expenses and helps you to understand your loan responsibilities.
- For most federal student loans, you must receive **exit counseling** before you leave school to make sure you understand your rights and responsibilities as a borrower. You will receive information about repayment and your loan provider will notify you of the date loan repayment begins (usually six months after you graduated, leave school or drop below half-time\* enrollment).

\*See "Important Terms," page 38.

Terms frequently used in discussing financial aid throughout this publication will appear with an asterisk, and you'll find a description of them under "Important Terms," beginning on page 38.



## Borrower's Rights

### What you need to know about your loan

You have a right to know the details about your loan (depending on your loan, some of the following might be included as part of your entrance counseling). Below is what you need to know and must receive from your school, lender or the Direct Loan Servicing Center:

- The full amount of the loan and the current interest rate.
- The date you must start repayment.
- A complete list of any charges you must pay (loan fees) and information on how those charges are collected.
- Information about the yearly and total amounts you can borrow.
- Information about the maximum repayment periods and the minimum repayment amount.
- An explanation of default\* and its consequences.
- An explanation of available options for consolidating your loans and a statement that you can prepay your student loan(s) at any time without a penalty.

### Before you leave school

Before you leave school, you will receive the following information about your loan (as part of exit counseling) from your school, lender or the Direct Loan Servicing Center:

- A current description of your loans, including average anticipated monthly payments.
- The amount of your total debt (principal and estimated interest), your current interest rate and the total interest charges on your loan.
- If you have FFEL (Federal) Stafford Loans, the name of the lender or agency that holds your loans, where to send your payments and where to write or call if you have questions.
- If you have Direct Stafford Loans, the address and telephone number of the U.S. Department of Education's Direct Loan Servicing Center.

- An explanation of the fees you might be charged during the repayment period, such as late charges and collection or litigation costs if you're delinquent or in default.\*
- A reminder of available options for loan consolidation and a reminder that you can prepay your loan without penalty at any time.
- A description of applicable deferment, forbearance and discharge (cancellation) provisions.
- Repayment options and advice about debt management that will help you in making your payments.
- Notification that you must provide your expected permanent address and the name and address of your expected employer.
- Notification that you must also provide any corrections to your school's records concerning your name, Social Security number, references and driver's license number (if you have one).

### Grace period

If you are attending school at least half-time,\* you have a set period of time after you graduate, leave school or drop below half-time\* status before you must begin repayment on a Stafford or Perkins Loan. This period of time is called a grace period.

- You will receive a grace period before your repayment period begins on a Stafford or Perkins Loan.
- Parents and graduate and professional degree students do not have a grace period on a PLUS Loan.
- Your grace period will be six or nine months depending on the type of loan.
- If you are in active military duty for more than 30 days, the grace period will be delayed (for no more than 3 years) during that time.

### Loan repayment schedule

Your school, lender or the Direct Loan Servicing Center, as appropriate, must give you a loan repayment schedule that states:

- When your first payment is due,
- The number and frequency of payments, and
- The amount of each payment.